EXHIBIT 17

EXHIBIT
PX-Ostlund
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Ostlund, Steven

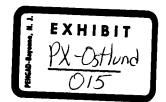|	
From:	Ridling, Jim L.
Sent:	Monday, July 25, 2016 9:14 AM
To:	Ostlund, Steven
Cc:	Angell, Charles; McDonald, John (Fairley)
Subject:	RE: Background information on BCBS rate variance

Steve,

I agree with your conclusion. Thanks.

Jim L. Ridling
Commissioner

Alabama Department of Insurance
Agency Web Site: http://www.aldoi.gov

From: Ostlund, Steven
Sent: Friday, July 22, 2016 5:09 PM
To: Ridling, Jim L. <Jim.Ridling@insurance.alabama.gov>
Cc: Angell, Charles <Charles.Angell@insurance.alabama.gov>; McDonald, John (Fairley) <John.McDonald@insurance.alabama.gov>
Subject: Background information on BCBS rate variance

Commissioner,

The email below describes a violation on the part of BCBS that occurred up until 2014 (when ACA rules were imposed and changed the market). It is common in the insurance industry to have renewal rules where small changes in rates are not implemented. BCBS had such rules in place for their small group major medical programs. They have "self-reported" themselves for charging the previous year's rates, (i.e. held rates), after filing new rates with us, when the changed rates would have been within a predetermined narrow corridor. (for example, -2% to +5%). They currently estimate undercharges of $35 million, and over-charges of $5 million over a 6 to 8 year period. The exact figures will be researched and locked in over the next couple months.

They are proposing that they "make things right" by refunding overpayments to those employers that overpaid. Some of those employers had an under charge in one year and an over charge in another year, and they propose to net those payments so that they would refund less than $5 million.

An alternative refund approach would be to refund the gross amount of overpayments rather than the net amount (justifiable if we believe the contract was between the employee and BCBS).

The employer transmitted the premium, the contract is between the employer and BCBS, the employee contribution is at employer discretion, and so the netting of over and under payments from BCBS to the employer is appropriate. After reviewing this issue, I now agree any refund should be made to the employer

and suggest to you a net payment is the correct methodology. However since this is so significant, I wanted you to be aware of this.

If you have any questions about this, please let me know. I will be out of the office next week, but can arrange to discuss this if you want.

Steve

Steven Ostlund
L and H Actuary
Alabama Department of Insurance
Rates and Forms Division
Email steven.ostlund@insurance.alabama.gov
Ph 334-240-4424

Begin forwarded message:

From: Noel Carden <ncarden@bcbsal.org>
Date: July 21, 2016 at 11:59:42 AM CDT
To: "Ostlund, Steven (Steven.Ostlund@insurance.alabama.gov)"
<Steven.Ostlund@insurance.alabama.gov>
Cc: Noel Carden <ncarden@bcbsal.org>
Subject: Small Group Rate Variance Discussion on Tuesday 7/19/2016

Steve,

Thank you again for your time on Tuesday (7/19) and allowing Michael Velezis and I to come and meet with you and Fairley. I want to confirm our approach for the Small Group rate variance situation we discussed.

BCBSAL acknowledges that we charged Small Group premium rates that varied from "filed" rates and did so as a result of our renewal process for groups that had premiums which were "demographically" adjusted. This part of our renewal process has been in place for many years and continued through Dec-2013. It was not part of the renewal process beginning January 2014 when Small Groups began converting to ACA compliant products. BCBSAL did not have a similar variance issue for new quotes.

The renewals when BCBSAL's "hold/cap logic" resulted in premium rates less than "filed" rates far outweigh (in frequency and in premium dollars) the renewals when BCBSAL's "hold logic" resulted in premium rates greater than "filed" rates. BCBSAL acknowledges that there are situations when specific groups have paid higher premiums from charged rates being greater than "filed" rates even after accounting for the times (or years) when charged rates were less than "filed" rates. When this was the case, BCBSAL intends to return the net amount of premium to the group.

2

BCBSAL is working to finalize the number of small groups impacted and time period over which the analysis can be calculated with reasonable accuracy. We expect to have this process completed within one to two months, and we will let you know the results as soon as they are available.

Please feel free to let me know if you have any questions or would like to discuss this matter in further detail.

Thanks again,

Noel

Noel Carden, FSA, MAAA

Vice President and Chief Actuary

Actuarial and Underwriting

Blue Cross and Blue Shield of Alabama

Office: 1-205-220-7741

ncarden@bcbsal.org

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prohibited. If you receive this e-mail in error, please notify me immediately by replying to this e-mail.